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This report was prepared by the **PwC Chair in Digital Economy** based at QUT. The Chair investigates, stimulates and educates to help organisations and individuals thrive in the digital economy.

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Unicorns, gazelles and cockroaches: entrepreneurial language is full of references to the animal world. There is even a shark tank! While the ‘animals’ (or businesses) considered may be very different, everyone is hoping to spot or become the next successful one.

What is the difference between a business that just manages to survive and a business that thrives? What is the magic recipe? What are the essential ingredients? Or is it just sheer luck? These questions have been asked many times and the answers seem to be a moving target—just like our economy—with the answers coming with an expiry date.

In our research we decided to look closely at highly-successful businesses in Queensland. Our analysis clearly shows that, indeed, successful firms share certain characteristics. This document summarises the research outcomes and provides specific recommendations. However, enjoy them responsibly—merely following them will not ensure your business becomes a high-growth one. However, ignoring them will likely make it much harder for you to grow.

While a lot of us wonder how to get there—how to become a high-growth firm—what we have learned is that successful businesses do not ask this question; they focus on how they work, not who they become. It’s the journey, not the destination.

I hope you enjoy reading our report!

Professor Marek Kowalkiewicz
PwC Chair in Digital Economy at QUT
INTRODUCTION

The high-growth journey is not simply a result of investing in technology; it results from a unique combination of technical and qualitative factors, such as managerial expertise, digital capabilities and having a deep understanding of customer motivations.

In this study we highlight a selection of key drivers behind high growth, with particular emphasis on the role of digital technology. To conform with international approaches to measuring high growth the study adopted the Eurostat-OECD [1] benchmark, where ‘high growth’ is defined as firms experiencing an average of at least 20% turnover growth over three years. In-depth interviews were undertaken with managers from 11 high-growth Queensland firms between November 2015 and February 2016. The firms varied in size, employing between 5 and 250 employees, and were from a range of industries. Seven of the firms were broadly classified as operating in the services sector and four in the manufacturing sector of Queensland’s economy.

In analysing the data we argue that it is the interrelationship between the nature of the environment, the firm and the people operating the firm, rather than technology itself, that underpins these firms’ high growth. Critical capabilities for growth included: organisational culture and strong, team-based organisations; having founders/owner/managers, as well as staff, who are willing to embrace change and use technology to streamline processes and reduce costs; and having founders/owner/managers willing to commit to searching for ways to manufacture the product or deliver the service more effectively through the application of technology.

The one similarity across all these high-growth firms was that they all had the customer and the customers’ needs embedded at the heart of their organisational activity and could clearly define and deliver on the value proposition they offered those customers.
This is a study of high-growth firms in Queensland. While much has been written about high-growth firms, in a variety of studies, locations and contexts, and using quantitative and qualitative methods to investigate different firm populations, there remains little agreement on the drivers of high growth. However, there is agreement that high-growth firms are found across all sectors of an economy [2-5] and that high-growth firms are not necessarily high-tech oriented [3]. They are, however, more likely to be knowledge-intensive firms.

The heterogeneity of high-growth firms is important in the context of this study. While our interest is specifically in understanding the interaction between technology and high growth we do not focus exclusively on high-tech, high-growth firms. Instead, our case study firms operate across industry sectors: seven high-growth firms operate in the service sector and four operate in the manufacturing sector. The preponderance of service sector firms among this group of high-growth firms is not unexpected given the evidence that human capital or knowledge intensity is critical to high growth [3].

The 11 firms participating in the study all experienced a period of high growth being at or above the Eurostat-OECD standard related to turnover over the period 2010–2015.

The 11 participating firms operated in diverse economic sectors, both traditional and non-traditional. Firms were established in different time periods—the oldest being established in 1975 but having undergone organisational change from a partnership to incorporation in 2008. The youngest firm was established in 2012.

The firms were different in size and ranged from 5 to 250 employees. A mix of nationwide and international markets was the focus of these firms. In fact, only two firms limited their operation to Australia-wide markets as a result of the regulatory environment in which their key services were provided.

Customers ranged from individuals to businesses, with each firm being clear about the customer segment they targeted or the niche their product or service addressed.

Firm founders and owners brought a range of different experiences to their firms. Six had some form of prior experience in owning or managing a firm. Of the other owners or founders without prior business experience three had worked in different industries to the one their firm now operated in.

We found each firm to be a complex system operated by founders, owners or managers who make decisions which are shaped by the firm’s environment. Queensland firms, like firms globally, are being impacted by technological change and development. Technology was found to be a critical factor in each firm’s operating environment.
RESEARCH QUESTIONS

1. What are the similarities across the business models of high growth firms?

2. What is the relationship between technology and high growth? In what ways do high growth firms use technology as a resource?

3. What can governments do to support high growth firms?

RESEARCH PROCESS

Sample selection

- There is no known database that identifies high growth firms in Queensland (or nation-wide).

- A list of 50 high-growth firms was generated through extensive searches and cross-referencing of different databases and public sources. Those firms with the closest match to the OECD measure were targeted for inclusion in the study. While there is likely only a small proportion of firms in Australia, let alone Queensland, that satisfy this criteria, our aim was not to target the ‘usual suspect’ high-growth firms such as the ones identified in other studies.

- Each firm was contacted by telephone and/or email with a request to the CEO, founder and/or owner to participate in an interview.

Literature review

- An extensive literature review was conducted to frame our understanding of high growth and the role technology plays in this context. Both theory and empirics were reviewed.

- Representation of the business model was important to uncover the architecture that underpins the ways in which technology enables the cost-effective and timely delivery of products and services, meeting customers’ needs and delivering value to customers.

- The resource-based view is the widely accepted approach to explain how exogenous or endogenous technological forces of change—opened up through digital enablement for trade, changes to work practices, supplier relationships and market practices amongst many possible others—had interacted with high growth.

Semi structured interviews

- A total of 11 firms participated, with semi-structured interviews undertaken jointly or separately with 17 key informants in these 11 firms.

- Semi-structured interview questions focussed on the firm’s growth, what that meant for key firm personnel and what they thought the relationship was between technology and high growth in the context of understanding their business models, and what they thought governments could do to support high-growth firms.

Data Analysis

- Content analysis was performed by means of conceptual and rational analyses. Text was examined for the presence, frequency and centrality of concepts by using Leximancer analytical software.

- Two researchers independently completed business model canvas representations for each of the 11 high-growth firms. Results were compared, discussed and collated into one representation for each firm.
KEY FINDINGS

1. BUSINESS MODELS OF HIGH GROWTH FIRMS

High growth firms are focused on solving customer problems.

- While this is a well-established principle, high growth firms emphasise understanding customer ‘pain points’ and creating innovative solutions to relieve that pain.
- High growth firms are equally effective in articulating their unique value, and adopting tailored marketing strategies to reach their markets.

In high growth firms, workplace culture and agile management processes are integral to success.

- High growth firms build a culture of co-creation, idea sharing and teamwork.
- While initial fast growth almost always inflicts intense pressure on firms, high growth firms adapt quickly and keep planning for the future.

High growth firms adopt digital technologies at varying levels and in different aspects of their business model.

- Technology can be used across the cost and revenue drivers of the business models whether this is to identify customer needs; procure inputs; manufacture products; deliver goods and services; interact with value chains; internal communications and manage resources.
- Technology can be an output of the business model or underpin the value proposition the firm delivers to customers.
KEY FINDINGS

Technology provides strategic advantage across all aspects of the firm. However, how firms achieve high growth through technologies varies.

- Social media and digital technologies enable high growth firms to effectively market to, interact with and communicate to customers, suppliers and franchisees.
- Firms employ different communication channels but social media and digital technologies are widespread for communicating customers.
- Technology is used to streamline processes and to reduce costs, therefore improving firms’ profitability.

High growth firms are not necessarily high-tech firms but are technically creative.

- High growth firms operate in all sectors of the Queensland economy.
- High growth firms combine creativity and technical capabilities to solve problems.
- While the ways creativity and technical capabilities are combined might be sophisticated, the technology used is relatively simple and easily accessible: websites, blogs, phone calls, online ordering and sales, electronic newsletters and fact sheets amongst other forms of social media such as Facebook, Instagram, Twitter, Pinterest etc.

High growth firms build technology usage and application by developing and deploying critical complementary capabilities.

- It is the complementary capabilities, such as operational and managerial skills and training, deployed alongside technology that impacts firm growth - not the technology itself.
- High growth firms solve their customers’ problems. Building technical capability helps the firm and its people to do this in an efficient way.
3. ROLE OF PUBLIC POLICY

Public policy is not of no.1 concern for high growth firms. However, governments can enable a growth oriented business environment by:

- Building confidence through bringing people together to share stories of success with others.
- Providing incentives that reduce the cost of doing business.
- Enabling talent with the knowledge, skills and ability to build strong firms, manage effectively and help other to achieve success.

POLICY RECOMMENDATIONS

1. Offer assistance with access to export markets.
2. Provide one to one mentoring and advice about technological applications and solutions.
3. Enable innovation through hubs and groups where people can connect and share stories of success.
4. Conduct digital maturity assessments to help firms understand how they use technology in comparison to others in their industry and beyond.
5. Ease access to government procurement and contracts.
6. Ensure education and training that build entrepreneurial talent and digital skills.